United Nations S/AC.49/2011/7

Security Council

Distr.: General
24 May 2011

Original: English

Security Council Committee established pursuant to resolution 1718 (2006)

Note verbale dated 20 May 2011 from the Permanent Mission of Montenegro to the United Nations addressed to the Chair of the Committee

The Permanent Mission of Montenegro to the United Nations presents its compliments to the Chair of the Security Council Committee established pursuant to resolution 1718 (2006) and has the honour to attach herewith the report of the Government of Montenegro on steps taken to implement the relevant provisions of resolutions 1718 (2006) and 1874 (2009).

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Annex to the note verbale dated 20 May 2011 from the Permanent Mission of Montenegro to the United Nations addressed to the Chair of the Committee

Report of Montenegro on the implementation of Security Council resolutions 1718 (2006) and 1874 (2009)

With a view to implementing Security Council resolutions 1718 (2006) and 1874 (2009), Montenegro applies the following legal acts: the Law on Foreign Trade in Arms, Military Equipment and Dual Goods (the *Official Gazette of Montenegro*, No. 80/08 from 26.12.2008); the Foreign Trade Law (*Official Gazette of Montenegro*, No. 28/04, 37/07); the Customs Law (*Official Gazette of Montenegro*, No. 07/02/ ... 21/08); the Arms Law (*Official Gazette of Montenegro*, No. 49/04 and 49/08); the Law on Prohibition of the Development , Production, Storage and Use of Chemical Weapons and Their Destruction (*Official Gazette of Montenegro*, No. 44/05); the Law on the Transportation of Hazardous Substances (*Official Gazette of Montenegro*, No. 05/08); the Border Control Law Zakon (*Official Gazette of Montenegro*, No. 72/09); the Law on Explosive Substances, Inflammable Liquids and Gases (*Official Gazette of Montenegro*, No. 49/08, 58/08); the Law on Chemicals (*Official Gazette of Montenegro*, No. 11/07); the Law on Protection from Ionizing Radiation and Radiation Safety (*Official Gazette of Montenegro*, No. 56/08 and 58/09); the Law on Drug Production and Trading (*Official Gazette of the FRY*, No. 46/96, 37/02); the Law on Control and Trade in Substances that Can Be Used for the Production of Drugs and Psychotropic Substances (*Official Gazette of Montenegro*, No. 83/09); the Law on the Prevention of Money-Laundering and Terrorism Financing (*Official Gazette of Montenegro*, No. 14/07 and 04/08); the Criminal Code (*Official Gazette of Montenegro*, No. 70/03 ... 25/10); the Customs Law (*Official Gazette*, 007/02-1 ... 001/11-29); the Rule on Customs Procedures Relevant to Arms, Military Equipment and Dual Goods (*Official Gazette of Montenegro*, No. 60/09); and the Law on the Implementation of International Restrictive Measures, pending adoption by the end of 2011.

In compliance with the Law on Foreign Trade in Arms, Military Equipment and Dual Goods, Montenegro abides by its international commitments, particularly those relevant to the sanctions introduced by the Security Council, the European Union and the Organization for Security and Cooperation in Europe, and by the international agreements on non-proliferation, as well as other international commitments. This Law stipulates foreign trade in controlled goods, and it determines the terms and conditions for foreign trade, transit and transportation of controlled goods and for the provision of technical assistance pertinent to controlled goods as well as other issues relevant to foreign trade in such goods. This Law extends control to cover brokering activities, in kind transfers of technologies and technical assistance concerning goods in the "catch-all" category.

Based on the analysis of the annual reports that Montenegro has prepared and released thus far in compliance with the Law mentioned above, it should be noted that there was no single business exercise that could in any way be in conflict with the Security Council resolutions on the Democratic People's Republic of Korea.

Banks and other institutions operating in Montenegro have to abide by the Law on the Prevention of Money-Laundering and Financing of Terrorism (*Official*

Gazette of Montenegro, No. 14/07 and 04/08) and by the Guidelines for Risk Analysis for Banks to prevent money-laundering and financing of terrorism, as drafted by the Central Bank of Montenegro. Based on those acts, banks in Montenegro have adopted internal rules on measures and activities to be conducted to detect and prevent money-laundering and financing of terrorism.

Banks in Montenegro have to classify their clients, business relations, transactions or products on the basis of degree of risk and put them in respective classification categories (A — insignificant risk, B — low risk, C — medium risk and D — high risk). Also, in their internal acts (such as "Know Your Client"), banks defined the way in which they determine client eligibility, i.e., the reasons for refusing to contract any business deal with individuals from the States to which the measures set out in Security Council resolutions apply and individuals whose names were included on the List made in compliance with the relevant Security Council resolutions.

With a view to improving the system for the prevention of money-laundering and financing of terrorism, banks developed tools to detect persons whose names can be found on the Lists made on the basis of the Security Council resolutions, such as "Labo-online", "Labo 1" and "Labo 2".

If a person whose name is included on the List made in compliance with the Security Council resolutions requests to make a transaction at a bank, the bank will refuse the request and promptly inform the Administration for the Prevention of Money-Laundering and Financing of Terrorism of Montenegro.

The banks operating in Montenegro do not have any clients from the Democratic People's Republic of Korea whose names are set out on the List that was made in compliance with the Security Council resolutions, nor are there any frozen funds on that basis.

In the procedure for issuing its approval for customs clearance of controlled goods, the Customs Directorate has to establish whether the customs document submitted for that purpose contains the permission of the Ministry of Economy and whether the information regarding the permission thereof for engaging in trade in controlled goods matches that declared on the customs form and the real stock under customs examination.

In the procedure for issuing its approval for customs clearance of goods in transit on land or sea, the Customs Directorate has to establish whether the customs form contains the permission of the Ministry of Interior Affairs. In the case of the transit of controlled goods by air, the stock has to be approved by the Civil Aviation Agency.

In addition to the control under regular procedure, the legislation in force provides for the possibility of a control in which customs officers re-examine the relevant documentation for accuracy and completeness. If it detects any irregularity or illegitimate act, the Customs Directorate initiates misdemeanour procedure or, if there is reasonable doubt that a criminal offence has been committed, informs the Prosecutor's Office to initiate activities within its portfolio.